PPB Group Berhad

(4065 | PPB MK) Main | Food & Beverages

Earnings Moderation Continues

Maintain **NEUTRAL**

Revised **Target Price: RM13.18**

(Previously RM14.47)

KEY INVESTMENT HIGHLIGHTS

- **Core business posted weaker results**
- **Wilmar performance remains unstable**
- **Earnings forecast, downgrade**
- **Maintain NEUTRAL with a revised TP of RM13.18**

RETURN STATISTICS	
Price @ 28th Nov 2024 (RM)	13.28
Expected share price return (%)	-0.7
Expected dividend yield (%)	+3.0
Expected total return (%)	**+2.4**

Recovery in main business. After excluding certain EIs, the 3QFY24 core PATMI fell significantly to RM245.7m (-22.4%yoy), bringing the 9MFY24 total to RM834.8m. This result missed both our and consensus forecast, making up 64% and 61%, respectively, of the full year estimates. Operating profit reversed to a loss of -RM5.0m attributed to the weakness in its core business which are grains and agribusiness, consumer products and film exhibition.

Grains and agribusiness. During the quarter, the segment PBT dropped to only RM11.5m (-88.1%yoy), dragged by a lower profit recorded by key sub-segments of flour, livestock, maize, and soybean meal. The combined impact of Typhoon Yagi's destruction and derivative losses significantly affected the overall performance in both Vietnam and Malaysia operations.

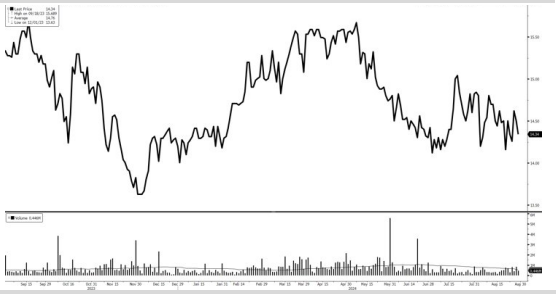
Consumer products. While topline surged by double digit during the quarter on better demand, profitability on the other hand recorded only RM4.8m, with a flattish margin at 2.5% (-0.2ppt), owing to the higher operational costs.

Film exhibition and distribution. The profitability reversed to red, despite higher revenue generated c. RM181.1m (+7.8%yoy), following lower net box office collection, lower concession income, higher new cinema operating costs, and cinema closure costs.

Earnings estimates. We revised our earnings estimates for FY24E-26F by -8.9%/-8.8%/-8.6% to RM1.19b/RM1.25b/RM1.30b, as we tweaked the grains and agribusiness, consumer products and film exhibition and Wilmar contribution lower. The adjustments were made mainly to account weaker estate activity was seen in Wilmar's Plantation & sugar business, particularly when the FFB, CPO and PK production, FFB Yield and OER were softened, due to prolonged dry weather (El-Nino in Indonesia and Sabah area) conditions, which resulted squeezed in margins due to fixed input cost in cost production.

Maintain NEUTRAL. We are maintaining our **NEUTRAL** call with a **revised TP of RM13.19** with an unchanged PER of 15x (slightly below 5y historical average mean) by pegging FY25F EPS of 88.0sen.

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.8	-4.3
3 months	0.3	-5.6
12 months	-8.8	-19.9

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	5,241.1	5,175.8	5,150.3
Operating Profit	246.3	258.8	267.8
Profit Before Tax	1,289.5	1,354.8	1,402.8
Core PATAMI	1,189.6	1,251.3	1,296.6
Core EPS	83.6	88.0	91.1
DPS	35.0	35.0	35.0
Dividend Yield	2.6%	2.6%	2.6%

KEY STATISTICS	
FBM KLCI	1,597.49
Issue shares (m)	1422.60
Estimated free float (%)	42.95
Market Capitalisation (RM'm)	18,892.11
52-wk price range	RM13.8 – RM16.1
3-mth average daily volume (m)	0.66
3-mth average daily value (RM'm)	9.59
Top Shareholders (%)	
Kuok Brothers Sdn Bhd	50.49
EPF	12.18
Nai Seng Sdn Bhd	3.44

MIDF Research Team
research@midf.com.my

PPB Group: 3Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**3QFY23**	**2QFY24**	**3QFY24**	**QoQ%**	**YoY%**	**9MFY23**	**9MFY24**	**Ytd%**
Revenue	1,457.6	1,319.0	1,348.7	2.3	-7.5	4,458.2	3,955.3	-11.3
Operating profit	127.0	89.5	-5.0	NM	NM	361.4	184.5	-48.9
Share of results of associates	284.9	253.0	223.4	-11.7	-21.6	737.9	752.7	2.0
Finance costs	-15.0	-10.4	-10.7	NM	NM	-57.1	-30.9	NM
PBT	398.9	333.5	209.1	-37.3	-47.6	1,046.8	910.2	-13.0
Tax expense	-15.0	-22.6	-17.7	NM	NM	-62.5	-58.5	NM
PATAMI	372.6	308.9	208.1	-32.6	-44.1	952.9	854.2	-10.4
Core PATAMI	316.6	302.9	245.7	-18.9	-22.4	795.6	839.9	5.6
				-/+ppt				
OP margin (%)	8.7	6.8	-0.4	-7.2	-9.1	8.1	4.7	-3.4
PBT margin (%)	27.4	25.3	15.5	-9.8	-11.9	23.5	23.0	-0.5
Core PATAMI margin (%)	21.7	23.0	18.2	-4.7	-3.5	17.8	21.2	3.4
Effective tax rate (%)	3.8	6.8	8.5	1.7	4.7	6.0	6.4	0.5

*NM Not Meaningful

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**3QFY23**	**2QFY24**	**3QFY24**	**QoQ%**	**YoY%**	**9MFY23**	**9MFY24**	**Ytd%**
Grains and agribusiness	1,098.2	948.2	928.0	-2.1	-15.5	2,258.9	1,876.2	-16.9
Consumer Products	139.1	206.5	188.7	-8.6	35.7	338.4	395.2	16.8
Film exhibition and distribution	168.0	118.8	181.1	52.4	7.8	296.4	300.0	1.2
Property	22.1	13.8	13.2	-4.2	-40.0	45.0	27.1	-39.8
Other operations	3.6	0.2	8.0	>100	>100	11.9	8.2	-31.4
Pre-Tax								
Grains and agribusiness	96.4	68.4	11.5	-83.2	-88.1	223.1	181.3	-18.7
Consumer Products	6.6	0.0	4.8	>100	-27.8	18.5	7.6	-59.0
Film exhibition and distribution	5.3	15.7	-0.7	NM	NM	19.4	0.5	-97.3
Property	10.6	1.9	4.0	>100	-62.1	14.0	7.5	-46.0
Other operations (Wilmar)	287.4	256.9	198.8	-22.6	-30.8	795.1	739.8	-7.0
Pre-Tax margin %				-/+ppt				
Grains and agribusiness	9.1	7.4	1.1	-6.2	-8.0	6.7	6.3	-6.5
Consumer Products	2.8	0.0	2.5	2.6	-0.2	3.2	1.3	-59.4
Film exhibition and distribution	3.2	8.7	-0.5	NM	NM	4.2	0.1	-97.2
Property	25.1	14.2	31.8	>100	27.0	16.0	19.0	18.7
Pre-Tax Stats.								
% Core Business contribution to PBT	29.3	25.1	9.0	-16.1	-69.4	25.7	21.0	-4.7
% Wilmar contribution to PBT	70.7	74.9	91.0	16.1	28.7	74.3	79.0	4.7

Source: PPB, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	6,151.2	5,720.7	5,241.1	5,175.8	5,150.3
Operating Profit	136.6	224.2	246.3	258.8	267.8
PBT	2,250.3	1,488.5	1,289.5	1,354.8	1,402.8
PATAMI	2,197.0	1,394.3	1,189.6	1,251.3	1,296.6
Core PATAMI	2,070.7	1,096.8	1,189.6	1,251.3	1,296.6
Core EPS (sen)	154.4	98.0	83.6	88.0	91.1
PER (x)	8.6x	13.5x	15.9x	15.1x	14.6x
DPS (sen)	40.0	42.0	35.0	35.0	35.0
Dividend yield (%)	3.0%	3.2%	2.6%	2.6%	2.6%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Cash	1,587.0	1,629.3	649.6	556.9	666.6
Receivables	1,146.5	884.9	646.2	567.2	564.4
Inventories	1,090.1	764.5	775.4	701.9	698.5
PPE	1,322.7	1,206.6	1,262.5	1,261.1	1,252.7
Others	23,327.3	24,387.0	24,387.0	24,387.0	24,387.0
Assets	28,891.4	29,408.4	30,158.6	30,913.7	31,716.2
Payables	403.7	449.5	258.5	255.2	254.0
Debt	1,278.5	377.7	1,298.5	1,308.5	1,318.5
Liabilities	2,364.2	1,597.2	2,330.3	2,332.1	2,335.8
Shareholders' equity	26,568.5	27,811.2	27,828.3	28,581.7	29,380.4
Equity & liabilities	28,932.7	29,408.4	30,158.6	30,913.7	31,716.2

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	2,250.3	1,488.5	1,289.5	1,354.8	1,402.8
Cash flow from operations	111.6	297.2	216.4	550.3	752.6
Cash flow from investing	551.7	-193.5	-150.0	-150.0	-150.0
Cash flow from financing	-368.5	-624.2	-492.9	-492.9	-492.9
Net cash flow	294.8	-520.5	-426.5	-92.7	109.7
Net cash/(debt) b/f	1,296.3	1,596.6	1,076.1	649.6	556.9
Net cash/(debt) c/f	1,596.6	1,076.1	649.6	556.9	666.6

Source: Bloomberg, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology